

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Cadillac Wexford Transit Authority	County Wexford
Fiscal Year End September 30, 2007	Opinion Date October 25, 2007	Date Audit Report Submitted to State November 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 		Printed Name Scott A. Hunter, C.P.A.	License Number 1101009890

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SEPTEMBER 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SEPTEMBER 30, 2007

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October 25, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cadillac-Wexford Transit Authority
Cadillac, Michigan

We have audited the accompanying financial statements of the Cadillac-Wexford Transit Authority, a component unit of Wexford County, Michigan as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Cadillac-Wexford Transit Authority, as of September 30, 2007, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2007, on our consideration of the Cadillac-Wexford Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Cadillac-Wexford Transit Authority, Cadillac, Michigan basic financial statements. The accompanying information listed as supporting schedules and statistical tables in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Cadillac-Wexford Transit Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Cadillac-Wexford Transit Authority. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CADILLAC-WEXFORD TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

This section of the Authority's Comprehensive Annual Financial Report presents management's overview and analysis of the Authority's financial performance for the fiscal year ended September 30, 2007. This section should be read in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets of the Authority exceeded its liabilities at September 30, 2007, by \$1,752,379. Of this amount, \$1,219,289 represents net assets which are not invested in capital assets.
- The Authority's total net assets increased by \$470,322.
- The Authority remained free of long-term debt during the period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Financial Analysis

For the year ended September 30, 2007, assets exceeded liabilities by \$1,752,379. Transit is a capital-intensive enterprise, and approximately 69.58% of the net assets are invested in capital assets. The following is a summary of the Authority's net assets.

CADILLAC-WEXFORD TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

Summary Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Assets:		
Current Assets	\$ 687,939	\$ 579,959
Capital Assets (Net)	1,219,289	824,929
Total Assets	<u>\$ 1,907,228</u>	<u>\$ 1,404,888</u>
Liabilities:		
Current Liabilities	\$ 154,849	\$ 122,831
Net Assets:		
Invested in Capital Assets	1,219,289	824,929
Unrestricted	<u>533,090</u>	<u>457,128</u>
Total Liabilities and Net Assets	<u>\$ 1,907,228</u>	<u>\$ 1,404,888</u>

The Authority's net assets increased by \$470,322 in 2007. The following is a summary Statement of Revenues, Expenses and Changes in Net Assets. Also shown is the change for the year ended September 30, 2006.

Summary Statement of Revenues, Expenses and Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenue	\$ 268,124	\$ 254,156
Operating Expenses	<u>1,781,166</u>	<u>1,568,158</u>
Operating Loss	<u>(1,513,042)</u>	<u>(1,314,002)</u>
Taxes	545,202	341,934
Other Nonoperating Revenue	<u>903,918</u>	<u>767,467</u>
Total Nonoperating Revenue	<u>1,449,120</u>	<u>1,109,401</u>
Net Income (Loss)	(63,922)	(204,601)
Capital Grants	<u>534,244</u>	<u>0</u>
Change in Net Assets	<u>\$ 470,322</u>	<u>\$ (204,601)</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

Operating Revenues

The following table shows 2007 revenue compared to 2006:

<u>REVENUES</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>	<u>2006 AMOUNT</u>	<u>2006 PERCENT OF TOTAL</u>
Operating Revenue	\$ 268,124	15.61%	\$ 254,156	18.64%
Interest Income	4,303	0.25%	1,878	0.14%
Property Tax	545,202	31.75%	341,934	25.08%
Federal Assistance	277,076	16.13%	236,030	17.31%
State Assistance	621,639	36.19%	529,559	38.84%
Gain on Sale of Assets	900	0.05%	0	0.00%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenue	<u>\$1,717,244</u>	<u>100.00%</u>	<u>\$1,363,557</u>	<u>100.00%</u>
 <u>CAPITAL CONTRIBUTIONS</u>				
Federal	\$ 436,995	81.80%	\$ 0	N/A
State	97,249	18.20%	0	N/A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 534,244</u>	<u>100.00%</u>	<u>\$ 0</u>	<u>N/A</u>

The federal reimbursement rate remained at 17.00% for eligible expenditures. The State reimbursement rate decreased to 38.6208% from 39.2545%.

Operating Expenses

The Authority's expenses may be reviewed in two formats:

Operating Expense by Department - The department describes the major function areas of the Authority and includes:

Operations - Responsible for all on-street services, including operators, dispatchers and schedulers.

Maintenance - Responsible for providing vehicles (including fuel, parts and cleaning) and facilities (upkeep, utilities and rent).

Administration - All other functions including executive direction, planning, marketing, information systems, purchasing and finance.

CADILLAC-WEXFORD TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

Depreciation - Estimated pro-ration of the cost of capital assets over the useful life of the asset.

The following table shows the expenses for 2007 compared to 2006 by department:

<u>DEPARTMENT</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>	<u>2006 AMOUNT</u>	<u>2006 PERCENT OF TOTAL</u>
Operations	\$1,146,057	64.34%	\$1,039,086	66.26%
Maintenance	318,969	17.91%	243,545	15.53%
Administration	316,140	17.75%	285,527	18.21%
Total Expenses	<u>\$1,781,166</u>	<u>100.00%</u>	<u>\$1,568,158</u>	<u>100.00%</u>

Operating Expense by Object - The object is the classification of expenses by type of item. The following table shows expenses for 2007 compared to 2006 by object:

<u>OBJECT</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>	<u>2006 AMOUNT</u>	<u>2006 PERCENT OF TOTAL</u>
Wages and Benefits	\$1,124,373	63.13%	\$ 962,530	61.38%
Services	102,558	5.76%	74,227	4.73%
Supplies and Materials	271,738	15.26%	208,280	13.28%
Utilities	32,111	1.80%	31,293	2.00%
Casualty and Liability	36,899	2.07%	54,648	3.48%
Miscellaneous	21,318	1.20%	16,871	1.08%
Leases and Rentals	800	0.04%	0	0.00%
Depreciation	191,369	10.74%	220,309	14.05%
	<u>\$1,781,166</u>	<u>100.00%</u>	<u>\$1,568,158</u>	<u>100.00%</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

Capital Assets

The Authority's investment in capital assets as of September 30, 2007, amounted to \$1,219,289 net of accumulated depreciation. Capital assets consist of buses, land, buildings, other vehicles, bus and garage equipment and office equipment. Major capital asset acquisitions during 2007 included the following:

- Land
- Buses

Additional information on the Authority's capital assets can be found in the notes to the financial statements.

Economic Factors and Future Outlook

At the time these financial statements were prepared and audited, the Authority was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which federal and state operating assistance grants will be funded.
- As with other employers, the Authority continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance.
- The employee contract was negotiated and approved. The contract expires December 31, 2007.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Cadillac-Wexford Transit Authority, 1202 N. Mitchell Street, Cadillac, Michigan 49601.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF NET ASSETS

SEPTEMBER 30,

	2007	2006
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 538,682	\$ 369,862
Accounts Receivable	18,019	15,198
Prepaid Expense	29,761	26,852
Accrued Interest Receivable	784	0
Due from Other Governments	100,693	168,047
Total Current Assets	687,939	579,959
<u>PROPERTY AND EQUIPMENT</u>		
Land and Building	1,338,708	1,028,580
Buses	1,488,372	1,429,531
Other Vehicles	88,388	35,733
Bus and Garage Equipment	175,308	150,568
Office Equipment	74,947	70,712
	3,165,723	2,715,124
Less Accumulated Depreciation	(1,946,434)	(1,890,195)
Net Property and Equipment	1,219,289	824,929
TOTAL ASSETS	\$ 1,907,228	\$ 1,404,888

The accompanying notes are an integral part of these financial statements.

	2007	2006
<hr/>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 28,995	\$ 25,581
Accrued Liabilities		
Payroll Withholdings	1,934	0
Salaries and Wages	30,934	27,096
Compensated Absences	92,986	70,154
	<hr/>	
Total Liabilities	154,849	122,831
	<hr/>	
<u>NET ASSETS</u>		
Invested in Capital Assets	1,219,289	824,929
Unrestricted	533,090	457,128
	<hr/>	
Total Net Assets	1,752,379	1,282,057
	<hr/>	
TOTAL LIABILITIES AND NET ASSETS	\$ 1,907,228	\$ 1,404,888
	<hr/>	

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>	\$ 268,124	\$ 254,156
<u>OPERATING EXPENSES</u>	<u>1,781,166</u>	<u>1,568,158</u>
Operating Income (Loss)	(1,513,042)	(1,314,002)
<u>NONOPERATING REVENUES</u>	<u>1,449,120</u>	<u>1,109,401</u>
Income (Loss) before Capital Contributions	<u>(63,922)</u>	<u>(204,601)</u>
<u>CAPITAL CONTRIBUTIONS</u>		
Federal Financial Assistance	436,995	0
State of Michigan	<u>97,249</u>	<u>0</u>
Total Capital Contributions	<u>534,244</u>	<u>0</u>
Change in Net Assets	470,322	(204,601)
<u>TOTAL NET ASSETS - Beginning of Year</u>	<u>1,282,057</u>	<u>1,486,658</u>
<u>TOTAL NET ASSETS - End of Year</u>	<u>\$ 1,752,379</u>	<u>\$ 1,282,057</u>

The accompanying notes are an integral part of these financial statements.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 265,303	\$ 255,843
Cash Payments to Suppliers for Goods and Services	(795,485)	(697,324)
Cash Payments to Employees for Services	(765,203)	(669,678)
Net Cash Provided (Used) by Operating Activities	<u>(1,295,385)</u>	<u>(1,111,159)</u>
Cash Flows from Noncapital Financing Activities:		
Tax Levy Proceeds	545,202	341,934
State Operating Grants Received	682,961	708,465
Federal Operating Grants Received	331,108	236,379
Net Cash Provided by Noncapital Financing Activities	<u>1,559,271</u>	<u>1,286,778</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(585,729)	(10,470)
Capital Grants Received	486,244	0
Proceeds from the Sale of Assets	900	0
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(98,585)</u>	<u>(10,470)</u>
Cash Flows from Investing Activities:		
Interest Received	<u>3,519</u>	<u>1,910</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,820	167,059
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>369,862</u>	<u>202,803</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 538,682</u>	<u>\$ 369,862</u>

The accompanying notes are an integral part of these financial statements.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (1,513,042)</u>	<u>\$ (1,314,002)</u>
Adjustments to Reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	191,369	220,309
(Increase) Decrease in Current Assets		
Accounts Receivable	(2,821)	1,687
Prepaid Expense	(2,909)	2,229
Increase (Decrease) in Current Liabilities		
Accounts Payable	3,414	(11,800)
Accrued Liabilities	<u>28,604</u>	<u>(9,582)</u>
Total Adjustments	<u>217,657</u>	<u>202,843</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (1,295,385)</u></u>	<u><u>\$ (1,111,159)</u></u>

The accompanying notes are an integral part of these financial statements.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Cadillac-Wexford Transit Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

On June 23, 1981, the City of Cadillac and the County of Wexford created the Cadillac-Wexford Transit Authority, a separate legal and administrative unit of government pursuant to the Urban Cooperation Act. The purpose of the Authority is to provide public transportation services to the general public within Wexford County. The Authority began to provide transportation services on September 1, 1982. The Transit Authority is financed by state and federal subsidies as well as a county-wide property tax levy.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no associated organizations included in the Authority's reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. The government-wide financial statements categorize primary activities as either governmental or business type. The Authority's activities are classified as business-type activities.

In the government-wide statement of net assets, the business-type activity is reported on a full accrual, economic resource basis, which recognizes as long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in two parts - invested in capital assets and unrestricted net assets. The Authority does not have any outstanding debt obligations.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activities.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority utilizes one enterprise fund to account for its business-type activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

When both restricted and unrestricted resources are available for use, it is the Authority's policy use the restricted resources first, then unrestricted resources as they are needed.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Authority's investment policy is in compliance with state law and authorizes the Authority to invest in investments authorized by Act 20 of the Public Acts of Michigan of 1943, as amended, provided however, any investment in mutual funds authorized by Act 20 shall be limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. Capital Assets and Depreciation

Capital assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000, except for assets purchased with Federal and/or State grants which are capitalized regardless of the amount and an estimated useful life in excess of one year. Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Depreciation of all exhaustible fixed assets used by an Enterprise Fund is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Equipment	2-10 years
Buses	4-10 years

The eligible depreciation of \$29,625 (\$191,369 total depreciation less ineligible depreciation of \$161,744). Eligible depreciation includes only depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

3. Inventory and Prepaid Items

The Authority does not maintain a fuel inventory. Supply inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Compensated Absences

The Authority accrues sick and vacation benefits in the period they are earned. Vacation leave is earned in varying amounts depending on the number of years of service of an employee. At September 30, 2007 and 2006, the sick and vacation benefits accrued was \$92,986 and \$70,154, respectively.

5. Grants

The Authority receives two distinct types of grants from governmental agencies:

Capital grants are used for capital acquisitions.

Operating grants are used to subsidize day-to-day operations and to meet normal expenses of those operations.

Grant funds used to acquire or construct capital assets are recorded as revenues when the associated capital costs are incurred. Grant funds for operating assistance are recorded as revenues when the associated costs are incurred.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

II. DETAILED NOTES ON ALL FUNDS

A. Property and Equipment

A summary of changes in the Authority's capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 46,225	\$ 310,128	\$ 0	\$ 356,353
Capital assets, being depreciated				
Buildings	982,355	0	0	982,355
Buses	1,429,531	191,214	132,373	1,488,372
Other Vehicles	35,734	52,654	0	88,388
Bus and Garage Equipment	150,567	24,741	0	175,308
Office Equipment	70,712	6,993	2,758	74,947
Total capital assets, being depreciated	2,668,899	275,602	135,131	2,809,370
Less accumulated depreciation for:				
Buildings	550,788	49,219	0	600,007
Buses	1,128,883	123,865	132,373	1,120,375
Other Vehicles	25,916	2,739	0	28,655
Bus and Garage Equipment	129,827	9,531	0	139,358
Office Equipment	54,781	6,016	2,758	58,039
Total accumulated depreciated	1,890,195	191,370	135,131	1,946,434
Total capital assets, being depreciated, net	778,704	84,232	0	862,936
Business-type activities capital assets, net	\$ 824,929	\$ 394,360	\$ 0	\$ 1,219,289

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Major classes of property and equipment consist of the following:

	PURCHASED WITH AUTHORITY FUNDS	PURCHASED WITH CAPITAL GRANTS	TOTAL
Land and Buildings	\$ 291,551	\$ 1,047,157	\$ 1,338,708
Buses	73,117	1,415,255	1,488,372
Other Vehicles	15,610	72,778	88,388
Bus and Garage Equipment	82,388	92,920	175,308
Office Equipment	37,372	37,575	74,947
	500,038	2,665,685	3,165,723
Less Accumulated Depreciation	(305,950)	(1,640,484)	(1,946,434)
NET PROPERTY AND EQUIPMENT	<u>\$ 194,088</u>	<u>\$ 1,025,201</u>	<u>\$ 1,219,289</u>

Disposition of assets acquired with Federal and State money require prior approval from the Michigan Department of Transportation.

B. Receivables

Receivables as of year end for the Authority are as follows:

Receivables	
Accounts	<u>\$ 18,019</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

C. Property Taxes

The Authority levies a voter-approved, county-wide property tax at the rate of .6000 of one mill. The voters granted the authority to levy .6000 of one mill for 2007 through 2010 tax rolls. Property taxes attach as an enforceable lien on the property as of the date they are levied. The taxes are levied and due December 1, and become delinquent after February 14. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is collected. Wexford County has a tax revolving fund which allows the County to pay off the real property taxes which have been returned delinquent.

D. Deposits and Investments

Investment rate risk. The Authority will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Authority's cash requirement.

Foreign currency risk. The Authority is not authorized to invest in investments, which have this type of risk.

Credit risk. The Authority will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Authority's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Authority will do business in accordance with the Authority's investment policy.

Concentration of credit risk. The Authority will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2007, the carrying amount of the Authority's deposits was \$538,682 and the bank balance of \$539,947 of which \$100,000 was covered by federal depository insurance and \$439,947 was uninsured and uncollateralized.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered, or securities held by the Authority or the Authority's agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Authority's name. At year end the Authority held no investments.

E. Contingencies

The State and Federal operating assistance contracts are subject to subsequent audit and adjustment by the State of Michigan. The State audits for fiscal years ended September 30, 2005, 2006, and 2007 either have not commenced or have not been completed.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Authority carries commercial insurance to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this coverage in any of the past four fiscal years.

For its property and casualty insurance coverage, the Authority is a participant in a public entity risk pool operated by Michigan Transit Pool which benefits participating transportation authorities. The Authority pays an annual premium for this coverage which provides funds to the Pool to secure specific and excess reinsurance, maintain the Loss Fund, and cover administrative and loss prevention service costs.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Should the losses of the Pool, in a given coverage period, exceed the Loss Fund and the aggregate excess reinsurance, the Authority would receive a pro rata assessment for their share of the loss. Premiums are expensed as incurred while excess reserve distributions are recognized as a contra-expense in the year received in accordance with Michigan Department of Transportation guidelines.

H. Concentration of Credit Risk

For the fiscal year ended September 30, 2007, the Authority was reimbursed by the State of Michigan for 38.6208% of their eligible operating expenditures. The percentage is based on budgeted eligible operating expenses for all transits in the State. Therefore, the percentage will be recalculated after total eligible operating expenses are determined based on audited figures.

I. Employee Retirement System

For the year ended September 30, 2000, the Cadillac-Wexford Transit Authority began contributing to the Municipal Employees Retirement System of Michigan (MERS).

Plan Description. Substantially all full-time employees of the Authority are members of the **Municipal Employees Retirement System of Michigan** (MERS) which provides retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer pension plan. Act No. 427 of the Public Acts of 1984, as amended, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case, the authority rests with the Cadillac-Wexford Transit Authority. The MERS issues a publicly available financial report that includes statements and required supplementary information for MERS. That report may be obtained by writing to The Retirement Board, Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

Funding Policy. MERS members are not required to make any contributions to the plan. The Authority is required to contribute at an actuarially determined rate; the current rate is 10.57% to 21.44% of annual covered payroll depending on division of employees.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. Employee Retirement System

Annual Pension Cost. For the years ended September 30, 2007 and 2006, the annual pension cost was \$60,228 and \$55,293.

THREE-YEAR TREND INFORMATION FOR MERS

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
9/30/05	57,172	100%	0
9/30/06	55,293	100%	0
9/30/07	60,228	100%	0

J. Note—Explanation of Ineligible Expenses

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

K. Note—Nonfinancial Data

The methodology used for compiling mileage on OAR Schedule 4N (Non Urban) is an adequate and reliable method for recording vehicle mileage.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE SCHEDULE OF OPERATING REVENUES
FOR THE YEARS ENDED SEPTEMBER 30,

	2007	2006
<u>OPERATING REVENUES</u>		
Fares	\$ 256,556	\$ 241,912
Greyhound and Indian Trail Commissions	9,545	9,267
Other	2,023	2,977
	<u>\$ 268,124</u>	<u>\$ 254,156</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2007				2006
	GENERAL		TOTAL		TOTAL
	OPERATIONS	MAINTENANCE	ADMINISTRATION	SYSTEM	SYSTEM
Labor					
Drivers and Dispatchers	\$ 476,514	\$ 0	\$ 0	\$ 476,514	\$ 403,856
Agents	22,955	0	0	22,955	21,591
Maintenance	0	58,110	0	58,110	53,392
Administration	28,372	40,653	165,269	234,294	183,116
Fringe Benefits					
FICA	38,908	7,275	11,034	57,217	50,864
Unemployment Taxes	7,953	766	1,114	9,833	8,015
Retirement	26,490	11,720	22,018	60,228	55,293
Group Insurance	61,200	34,879	31,292	127,371	124,195
Workers' Compensation	44,391	5,403	605	50,399	48,810
Uniforms and Other	23,316	741	3,395	27,452	13,398
Services					
Professional	7,207	0	35,285	42,492	52,356
Maintenance	202	59,864	0	60,066	21,871
Materials and Supplies Consumed					
Fuel and Lubricants	154,094	0	0	154,094	129,614
Tires and Tubes	11,755	0	0	11,755	14,193
Other Materials and Supplies	7,564	88,942	9,383	105,889	64,473
Utilities	23,388	0	8,723	32,111	31,293
Casualty and Liability Costs	26,861	0	10,038	36,899	54,648
Miscellaneous Expenses					
Advertising/Promotion Media	0	0	4,580	4,580	3,478
Dues and Subscriptions	0	550	0	550	4,212
Travel and Meetings	8,264	535	7,389	16,188	9,181
Leases and Rentals	800	0	0	800	0
Depreciation	175,823	9,531	6,015	191,369	220,309
	<u>\$ 1,146,057</u>	<u>\$ 318,969</u>	<u>\$ 316,140</u>	<u>\$ 1,781,166</u>	<u>\$ 1,568,158</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE SCHEDULE OF NONOPERATING REVENUES
FOR THE YEARS ENDED SEPTEMBER 30,

	2007	2006
<u>LOCAL SOURCES</u>		
Tax Levy	\$ 545,202	\$ 341,934
<u>STATE SOURCES</u>		
State of Michigan Operating Grants		
Local Bus Operating Assistance (Act 51)		
Prior Year Adjustment	(2,356)	(11,302)
2007	623,995	0
2006	0	540,861
Total State Sources	621,639	529,559
<u>FEDERAL SOURCES</u>		
U.S. Department of Transportation		
Operating Grant - Section 5311		
Contract No. 07-0183/Z1	273,576	0
Contract No. 02-0023/Z13	0	233,139
Rural Transit Assistance Program	3,500	2,891
Total Federal Sources	277,076	236,030
<u>OTHER</u>		
Interest Income	4,303	1,878
Gain on Sale of Assets	900	0
Total Other	5,203	1,878
TOTAL NONOPERATING REVENUES	\$ 1,449,120	\$ 1,109,401

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Federal and State Grantor/Pass-Through</u>	Federal DFDA Number	Grant Number	Program Award Amount	<u>Current Year Expenditures</u>			Prior Year Expenditures	Award Amount Remaining
				Total	Federal	State		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	07-0183Z1	\$ 273,576	\$ 273,576	\$273,576	\$ 0	\$ 0	\$ 0
Rural Transit Assistance Program (RTAP)	20.509	N/A	3,500	3,500	3,500	0	0	0
Federal Transit Capital Grants	20.500							
Capital Grants		02-0023Z12	48,000	48,000	48,000	0	0	0
Capital Grants		02-0023Z17	849,626	300,000	240,000	60,000	0	549,626
Capital Grants		02-0023Z14	121,959	121,959	97,567	24,392	0	0
Capital Grants		02-0023Z15	54,175	54,175	43,340	10,835	0	0
Capital Grants		02-0023Z6	150,750	10,110	8,088	2,022	0	0
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51	N/A	N/A	623,995	623,995	0	623,995	0	0
				<u>\$2,125,581</u>	<u>\$1,435,315</u>	<u>\$714,071</u>	<u>\$ 0</u>	<u>\$549,626</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF DUE FROM OTHER GOVERNMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	DUE FROM (TO) STATE 10/1/2006			ADJUSTMENTS	EARNED	RECEIVED NET OF (REPAYMENTS)	DUE FROM (TO) STATE 9/30/2007			
<u>OPERATING ASSISTANCE</u>										
Operating Assistance										
2003	\$	8,624	\$	(2,356)	\$	0	\$	6,268	\$	0
2004		(5,110)		0		0		(5,110)		0
2005		42,825		0		0		63,986		(21,161)
2006		22,818		0		0		0		22,818
2007		0				623,995		617,817		6,178
		69,157		(2,356)		623,995		682,961		7,835
Federal Section 5311										
02-0023/Z7		21,778		0		0		21,778		0
RTAP-05/06		2,891		0		0		2,891		0
RTAP-06/07		0		0		3,500		750		2,750
02-0023/Z11		33,689		0		0		33,689		0
02-0023/Z13		40,532		0		0		31,742		8,790
07-0183/Z1		0		0		273,576		240,258		33,318
		98,890		0		277,076		331,108		44,858
Total Operating Assistance		168,047		(2,356)		901,071		1,014,069		52,693
<u>CAPITAL GRANTS</u>										
02-0023/Z12		0		0		48,000		0		48,000
TOTAL FEDERAL AND STATE GRANTS	\$	168,047	\$	(2,356)	\$	949,071	\$	1,014,069	\$	100,693

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>RTAP</u>	<u>OPERATIONS</u>	<u>TOTAL</u>
Labor	\$ 0	\$ 791,873	\$ 791,873
Fringe Benefits	0	332,500	332,500
Services	0	102,558	102,558
Materials and Supplies	0	271,738	271,738
Utilities	0	32,111	32,111
Casualty and Liability Costs	0	36,899	36,899
Miscellaneous Expenses	3,500	17,818	21,318
Leases and Rentals	0	800	800
Depreciation	0	191,369	191,369
 TOTAL EXPENSES	 \$ 3,500	 \$ 1,777,666	 \$ 1,781,166

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	FEDERAL SECTION 5311 PROJECT NO. 07-0183/Z1	STATE OPERATING ASSISTANCE (ACT 51)
Operating Expenses		
Labor	\$ 791,873	\$ 791,873
Fringe Benefits	332,500	332,500
Services	102,558	102,558
Materials and Supplies	271,738	271,738
Utilities	32,111	32,111
Casualty and Liability Costs	36,899	36,899
Miscellaneous Expenses	17,818	17,818
Leases and Rentals	800	800
Depreciation	191,369	191,369
Total Expense	1,777,666	1,777,666
Less Ineligible Expenses		
Depreciation	161,744	161,744
Mass Transit Dues	226	226
Audit Fees	6,425	0
Total Ineligible Expenses	168,395	161,970
NET ELIGIBLE EXPENSES	\$ 1,609,271	\$ 1,615,696
Federal		
Section 5311 Reimbursement (17.00%)	\$ 273,576	
State Statutory Operating Assistance		
38.6208% of Net Eligible Expenses		\$ 623,995
But at Least a Minimum of Its:		
1997 Floor of \$300,361		

CADILLAC-WEXFORD TRANSIT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

SCHEDULE OF MILEAGE DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2007

(UNAUDITED)

As required by Michigan Department of Transportation, the following schedule details the mileage data for the year ended September 30, 2007. This supplemental data was not audited and, accordingly, we do not express an opinion on it. However, the methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

	<u>TOTAL PUBLIC TRANSPORTATION MILEAGE</u>
<u>DEMAND-RESPONSE</u>	
Quarter Ended	
December 31, 2006	114,148
March 31, 2007	116,107
June 30, 2007	128,315
September 30, 2007	<u>136,248</u>
	<u><u>494,818</u></u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 25, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Cadillac-Wexford Transit Authority
Cadillac, Michigan

COMPLIANCE

We have audited the compliance of the Cadillac-Wexford Transit Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. Cadillac-Wexford Transit Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Cadillac-Wexford Transit Authority's management. Our responsibility is to express an opinion on Cadillac-Wexford Transit Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cadillac-Wexford Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cadillac-Wexford Transit Authority's compliance with those requirements.

In our opinion, Cadillac-Wexford Transit Authority complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Cadillac-Wexford Transit Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cadillac-Wexford Transit Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of Cadillac-Wexford Transit Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated October 25, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cadillac-Wexford Transit Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>STATE GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>
<u>U.S. Department of Transportation</u>			
Non Urbanized Area Formula Program			
Passed Through Michigan			
Department of Transportation			
Operating Assistance - Section 5311 (RTAP)	20.509	RTAP	\$ 3,500
Operating Assistance - Section 5311	20.509	07-0183/21	\$ 271,949
Total Operating Assistance			
Federal Transit - Capital Investment Grants			
Passed Through Michigan			
Department of Transportation			
Capital Assistance	20.500	02-0023Z12	\$ 48,000
Capital Assistance	20.500	02-0023Z17	\$ 679,701
Capital Assistance	20.500	02-0023Z14	\$ 97,567
Capital Assistance	20.500	02-0023Z15	\$ 43,340
Capital Assistance	20.500	02-0023Z6	\$ 8,088
Total Capital Assistance			
TOTAL FEDERAL FINANCIAL ASSISTANCE			

ACCRUED (DEFERRED) REVENUE OCTOBER 1, 2006	CURRENT YEAR CASH RECEIPTS NET OF REPAYMENT	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE SEPTEMBER 30, 2007
\$ 0	\$ 750	\$ 3,500	\$ 2,750
0	240,258	273,576	33,318
0	241,008	277,076	36,068
0	0	48,000	48,000
0	240,000	240,000	0
0	97,567	97,567	0
0	43,340	43,340	0
0	8,088	8,088	0
0	388,995	436,995	48,000
\$ 0	\$ 630,003	\$ 714,071	\$ 84,068

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cadillac-Wexford Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 25, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Cadillac-Wexford Transit Authority
Cadillac, Michigan

We have audited the financial statements of the Cadillac-Wexford Transit Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated October 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Cadillac-Wexford Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cadillac-Wexford Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cadillac-Wexford Transit Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Item B) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Cadillac-Wexford Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cadillac-Wexford Transit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

The Cadillac-Wexford Transit Authority was not required to have a Single Audit for the year ended September 30, 2006. Therefore there were no prior audit findings.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No
Significant Deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No
Significant Deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit Capital Investment Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

B. Financial Statement Findings

1) Lack of Adequate Internal Controls

Management is responsible for establishing and maintaining internal controls for the Authority.

At many small governmental units, proper segregation of duties within the accounting department is a challenge for management. The Authority currently does not have effective segregation of duties within the accounting department.

This condition was caused by limited personnel involved in the accounting functions.

The District is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

C. Federal Award Findings and Questioned Costs

None